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FM AMEMBASSY MANILA
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INFO RUEHZS/ASSOCIATION OF SOUTHEAST ASIAN NATIONS IMMEDIATE
RHHMUNA/CDRUSPACOM HONOLULU HI IMMEDIATE
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UNCLAS SECTION 01 OF 02 MANILA 001586

SENSITIVE
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STATE FOR EAP/MTS

E.O. 12958:N/A
TAGS: [PGOV](#) [PREL](#) [PINS](#) [PINR](#) [SOCI](#) [PTER](#) [ECON](#) [KPAO](#) [ASEC](#) [RP](#)
SUBJECT: THE BEST DEFENSE: IN FINAL ADDRESS TO THE NATION, ARROYO
TOUTS ACHIEVEMENTS, SLAMS CRITICS

REF: MANILA 1568 (SUSPENSION OF MILITARY OPERATIONS AGAINST ROGUE
MUSLIM REBELS)
MANILA 1207 (POLITICAL MANEUVERS SHIFT ELECTION LANDSCAPE)

1. (SBU) SUMMARY: In her ninth and final State of the Nation Address (SONA) July 27, President Gloria Macapagal-Arroyo confidently touted a seemingly endless list of economic achievements: the country's resilience in the face of the global financial crisis; its successful welfare, social, and infrastructure programs; and its eight years of robust economic growth under her leadership. She defended her legacy by attacking her opponents and casting herself as a champion of democracy, hoping to put to rest concerns that she might extend her term beyond its natural end in 2010. President Arroyo devoted few words to recent advances on resuming peace talks with communist insurgents and Mindanao's Muslim rebels (ref A) and only briefly addressed security concerns. Faulting "the West" for its role in generating the global financial crisis, she nonetheless highlighted the positive direction of U.S.-Philippine bilateral relations, illustrated by the veterans' benefits package and her meeting later this week with President Obama. But for those who speculated Arroyo intended to stay in power one way or another, the speech did seem to signal she will depart the presidency at the end of her term. END SUMMARY.

HIGHLIGHTING ECONOMIC GAINS

2. (SBU) In her ninth and final State of the Nation Address (SONA) on July 27, President Gloria Macapagal-Arroyo trumpeted her accomplishments in office, focusing on the country's economic resilience that cushioned the impact of the global financial crisis, which, she emphasized, "the best in the West failed to anticipate." She exuded optimism and determination to stay the course until her last day in office, pledged greater investment in education, and sought the passage of legislation to sustain these economic gains. She cited statistics noting that the economy posted uninterrupted growth for 33 quarters and doubled its size from \$76 billion to \$186 billion. Average GDP growth from 2001 to first quarter of 2009 was the highest in 43 years. GNP per capita rose from \$967 to \$2,051, and eight million jobs were created at an average of one million jobs per year. Self-rated poverty, she noted, decreased from 59 percent to 47 percent during her tenure, despite the country's increase in population.

SECURITY AND BILATERAL CONCERNS

3. (SBU) President Arroyo sparingly addressed issues of bilateral concern, including security and counterterrorism. She acknowledged the "good prospect" for peace talks with communist insurgents and Mindanao's Muslim secessionists (ref A), expressing her sincere wish for peace in Mindanao, which would be a "blessing for all its people, Muslim, Christian, and Lumads (indigenous people)." She asked the Philippine Congress to fund a strengthening of the nation's law enforcement capacity to protect citizens in all corners

of the country from crime, and noted the continued success of programs to incentivize the demobilization of communist insurgents. Proudly, she announced that later this week she would be the "first Southeast Asian leader" to meet President Obama at the White House, presenting an opportunity to discuss counterterrorism, nuclear non-proliferation, climate change, and global recession.

ATTACKING HER CRITICS

¶4. (SBU) Toward the end of her speech, Arroyo returned the criticism she had received in recent months from her opponents, many of whom accused her of misgovernance and corruption. While she herself was falsely accused of corruption, she said that "Many who accuse me of it have lifestyles and spending habits that make them walking proofs of that crime." In an indirect, witty reference to her predecessor and fiercest critic, former President and convicted felon Joseph Estrada, she said, "Those who live in glass houses should cast no stones. Those who should be in jail should not threaten it, especially if they have been there." Her comment drew laughter from the audience.

PREDICTABLE REACTIONS FROM TWO CAMPS

¶5. (SBU) Supporters of President Arroyo were predictably ebullient in their praise. Speaker Prospero Nograles, a known ally of President Arroyo, called the SONA "tough but accurate and full of substance." Despite criticism and low popularity ratings in the polls, he said, Arroyo delivered on her commitments. Chief Justice Reynato Puno similarly commended Arroyo for her accomplishments, noting an increase in budget appropriations for the judiciary.

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Palawan Representative Antonio Alvarez said the presidential address was a "fighting, feel-good, factual speech, which, best of all, was rendered mostly in Filipino to better rally us to have more faith in ourselves." Albay Governor and presidential economic adviser Jose Salceda opined that the next President will be lucky to inherit an "unused credit card."

¶6. (SBU) President Arroyo's political opponents, including House Minority Leader Ronaldo Zamora, Bayan Muna Representative Teddy Casio, and Makati Mayor Jejomar Binay, expressed disappointment that she did not declare "categorically" her intention to step down in 2010, noting with suspicion that the President's address sounded more like a campaign speech than a SONA. Ilocos Norte Rep. Ferdinand "Bongbong" Marcos II suggested that the economic statistics cited by the President were not reflected in actual economic conditions. Senator Francis Escudero, a presidential hopeful in the 2010 elections, said that allegations of corruption "may very well be the darkest legacy of the Arroyo administration's nine years in power."

SMALL PROTESTS, LOUD VOICES

¶7. (SBU) As a receptive audience inside the Philippine House of Representatives cheered and applauded the President's forceful delivery, some 7,000 demonstrators led by left-wing organization Bagong Alyansang Makabayan (Bayan) -- a small protest by Philippine standards -- conducted a peaceful protest to oppose what they regarded as President Arroyo's political maneuvers to perpetuate her tenure (ref B). The marching protesters represented a cross-section of society and included well-known figures such as Senator Manuel Roxas, another 2010 presidential contender, who in a speech earlier that day railed against the Arroyo administration. Held near the legislative complex, the protest culminated with the burning of an effigy of the president. The demonstration, though peaceful, was marred by the beating of alleged intelligence agents by protesters who accused them of infiltration. Simultaneous rallies were held in Aklan, Bacolod, Bohol, Butuan, Cagayan de Oro, Capiz, Cebu, Davao, Digos, Iloilo, Naga, and Tacloban.

COMMENT

18. (SBU) President Arroyo's supporters characterized her speech as a spirited defense of her strong economic record, while her detractors highlighted the speech's omissions and the continued harsh effects of the global financial crisis on average Filipinos. On the most contentious issue, Arroyo's alleged desire to stay in power through constitutional revision, her critics' fears are unlikely to be assuaged; they remember Arroyo's 2003 announcement that she would not run for president in the 2004 elections, which she ultimately did. While Arroyo claimed in the SONA that she "never expressed the desire to extend" her term -- her clearest statement yet that she intends to step down as president -- her harshest critics appear prepared to perpetuate the idea that she will cling to office beyond her term. This reaction all but ensures that President Arroyo will continue to be the most convenient political target for opposition groups and presidential candidates seeking to rally voters during the next ten months of campaigning, in the lead-up to the May 2010 elections.

BASSETT